

# Plain and Simple

Summary Annual Financial Report  
Fiscal Year Ended June 30, 2005



Missouri State Employees' Retirement System  
A Component Unit of the State of Missouri

Professional Plan Administration

Benefits You Can Count On

Secure System Assets

Controlling System Risk

Customer Service With A Voice

It's What We're About

Plain and Simple

# Mission Statement

To exceed customer expectations by providing outstanding benefit services through professional plan administration and sound investment practices.

## Did You Know That . . .

- MOSERS' investment return of 12.6% in FY05 ranked us in the top 3% of all public pension funds when compared to our peer universe.
- For the fifth straight year, MOSERS' investments generated returns in excess of the benchmark which has resulted in an additional \$900 million for the fund.
- Across time periods of 3-, 5-, and 10-years, MOSERS investment results have consistently been in the top 10% compared to other public pension plans in the nation.
- MOSERS' actuary evaluated our plan's assets relative to the value of future obligations and determined that the plan is strong and sound per their annual review.
- MOSERS' benefit counselors answered more than 86,000 of your phone calls with an average wait time of 24 seconds, assisted 1,422 members who visited our office in person with an average wait time of 3 minutes, and responded to 1,436 of your emails within 24 hours of receipt in FY05.
- MOSERS' trainers conducted 99 educational seminars throughout the state, including Benefit Basics, Pre-Retirement, Money Matters, presentations for the colleges and universities, and special requests, educating over 2,760 members in FY05.
- In FY05, MOSERS created its first retiree focus group, "The Retiree Connection" program, to improve our communications with retirees.
- MOSERS initiated a "Rumor Central" question and answer forum in FY05 on our website to help members distinguish between facts and rumored fiction regarding a variety of issues including legislation, retirement, life insurance, and long-term disability benefits.

# Message From the Board Chair

Dear Members:

On behalf of the board of trustees, I am pleased to present the MOSERS *Summary Annual Financial Report* for the fiscal year ended June 30, 2005. This report provides information on the financial status of your retirement system while also highlighting significant changes that occurred during the year.

In keeping with this year's annual report theme, "Plain and Simple," I'm reminded of the straightforward attributes that have enabled MOSERS to provide benefits you can count on. It truly is all about professional plan administration, secure system assets, controlling system risk, and exceeding customer expectations – simple concepts but ones that can only be brought to fruition through great discipline and sustained attention to detail. It is my belief that your board and staff rose to the occasion this past year.

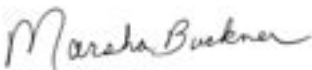
First and foremost, I am pleased to report that your retirement system remains well funded and your promised benefits are secure. The MOSERS fund generated a return of 12.6% (net of expenses) for the year placing MOSERS' investment return in the top 3% of all public pension funds with assets in excess of \$1 billion as reported by the Independent Consultant Cooperative.

The most significant legislative action impacting MOSERS this year was the passage of Senate Bill No. 202, et al, which terminated the Administrative Law Judges and Legal Advisors' Plan (ALJLAP) for new hires. Specifically, individuals who assume a position after April 26, 2005, who would have otherwise been covered by the ALJLAP, will instead participate in the Missouri State Employees' Plan or the Missouri State Employees' Plan 2000, depending on when they initially became state employees. The legislature's decision to terminate the plan on a prospective basis was made after review by two separate commissions that found there was no compelling reason to treat administrative law judge positions differently from general employee positions for purposes of retirement.

The board experienced significant turnover this past year. On behalf of the board, staff and membership, I wish to express our collective thanks to Jacquelyn White, Lori Strong-Goeke, Carol Gilstrap, former State Treasurer Nancy Farmer, and Senator Ed Quick for their many contributions to the system and for serving our membership so well. They left in place a strong governance policy that will ensure a smooth transition and serve as a strong foundation for our new trustees to build upon. We also welcomed Mike Keathley, Commissioner of Administration, John Pelzer, Governor Appointee, State Treasurer Sarah Steelman, Senator Jason Crowell, and Senator Timothy Green to the board this year. We look forward to working with each of them.

In closing, you can be assured that the MOSERS staff continues to provide the expertise and professionalism required for excellence in our retirement system, and I would like to thank staff for continuing to maintain a high level of commitment to serving our membership. In "Plain and Simple" terms, we look forward to meeting your future needs. If you have any questions regarding this summary or would like to receive a copy of the *Comprehensive Annual Financial Report*, please contact us at MOSERS, P.O. Box 209, Jefferson City, MO 65102, or by calling 1-800-827-1063.

Sincerely,



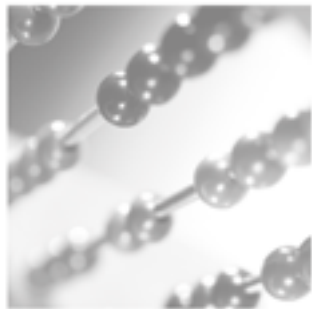
Marsha Buckner, Chair  
Board of Trustees



Professional  
Plan Administration

Your retirement system  
remains well funded and your  
promised benefits are secure.

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Benefits  
You Can Count On

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The *Statements of Plan Net Assets* are summaries of what MOSERS owns and what it owes as of the end of the fiscal year.

The *Statements of Changes in Plan Net Assets* summarize the flow of money in and out of the fund throughout the fiscal year.

# Financial Statements

## Summary Comparative Statements of Plan Net Assets

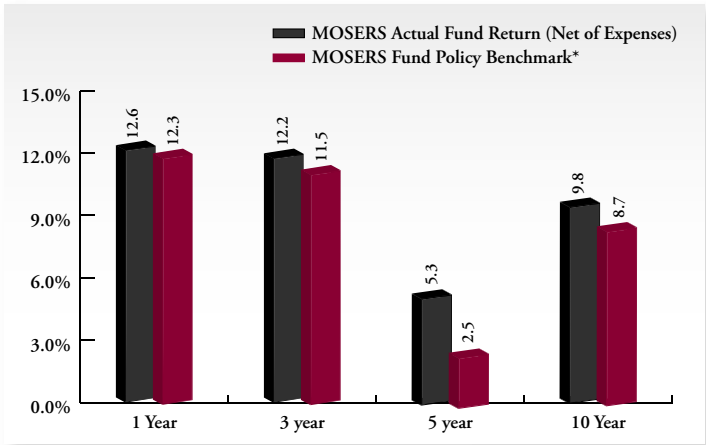
	As of June 30, 2005	As of June 30, 2004	Amount of Change	Percentage Change
Cash and short-term investments	\$ 560,860,102	\$ 277,416,406	\$ 283,443,696	102.17%
Receivables	574,826,045	176,080,273	398,745,772	226.46
Investments	5,954,341,320	5,659,545,870	294,795,450	5.21
Invested securities lending collateral	1,099,841,751	1,188,833,864	(88,992,113)	(7.49)
Capital assets	3,456,840	3,615,140	(158,300)	(4.38)
Other assets	43,815	24,732	19,083	77.16
<b>Total assets</b>	<b>8,193,369,873</b>	<b>7,305,516,285</b>	<b>887,853,588</b>	<b>12.15</b>
Administrative expense payables	2,063,202	2,225,818	(162,616)	(7.31)
Investment purchase payables	588,670,755	179,856,429	408,814,326	227.30
Securities lending collateral	1,099,608,477	1,188,424,688	(88,816,211)	(7.47)
Other liabilities	23,459,828	20,078,563	3,381,265	16.84
<b>Total liabilities</b>	<b>1,713,802,262</b>	<b>1,390,585,498</b>	<b>323,216,764</b>	<b>23.24</b>
<b>Net assets</b>	<b>\$ 6,479,567,611</b>	<b>\$ 5,914,930,787</b>	<b>\$ 564,636,824</b>	<b>9.55</b>

## Summary Comparative Statements of Changes in Plan Net Assets

	Year Ended June 30, 2005	Year Ended June 30, 2004	Amount of Change	Percentage Change
Contributions	\$ 221,653,366	\$ 189,866,977	\$ 31,786,389	16.74%
Investment income				
investing activities	731,556,657	877,901,329	(146,344,672)	(16.67)
Investment income				
securities lending activities	3,251,139	4,036,654	(785,515)	(19.46)
Miscellaneous income	1,244,302	474,339	769,963	162.32
<b>Total additions</b>	<b>957,705,464</b>	<b>1,072,279,299</b>	<b>(114,573,835)</b>	<b>(10.69)</b>
Benefits	386,576,891	385,909,723	667,168	0.17
Service transfers and refunds	199,201	537,762	(338,561)	(62.96)
Administrative expenses	6,292,548	5,747,154	545,394	9.49
<b>Total deductions</b>	<b>393,068,640</b>	<b>392,194,639</b>	<b>874,001</b>	<b>0.22</b>
<b>Net increase (decrease)</b>	<b>564,636,824</b>	<b>680,084,660</b>	<b>(115,447,836)</b>	<b>(16.98)</b>
<b>Net assets beginning of year</b>	<b>5,914,930,787</b>	<b>5,234,846,127</b>	<b>680,084,660</b>	<b>12.99</b>
<b>Net assets end of year</b>	<b>\$ 6,479,567,611</b>	<b>\$ 5,914,930,787</b>	<b>\$ 564,636,824</b>	<b>9.55</b>

# Investment Performance

## Investment Return



\* The policy benchmark provides an indication of the returns that could be achieved (excluding transaction costs) by a portfolio invested passively in the broad market with percentage weights allocated to each asset class in MOSERS' policy asset allocation.

The actual investment return relative to specific benchmarks is one means of evaluating the fund's investment performance. The bar chart to the left illustrates MOSERS' actual fund return relative to our policy benchmark.

The total fund generated a return of 12.6%, net of expenses, in FY05. On a relative basis, the fund outperformed the policy benchmark by 0.3%.

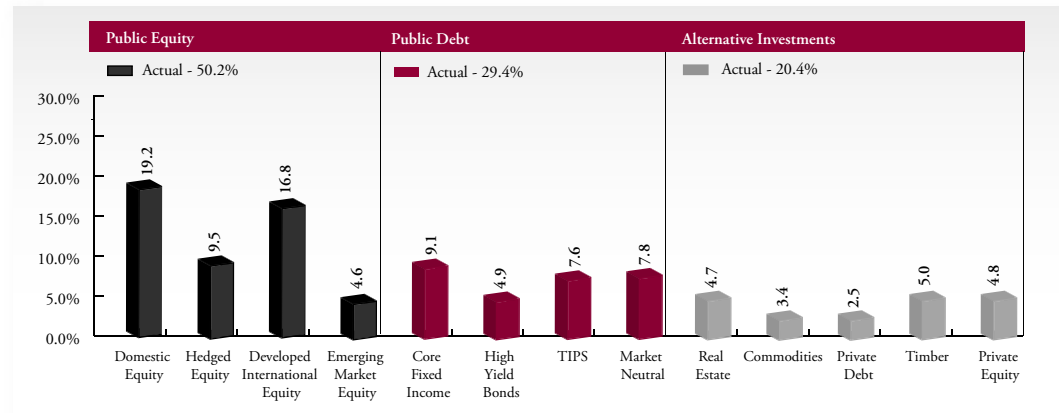


Secure  
System Assets

For the fifth straight year, MOSERS' investments generated returns in excess of the benchmark which has resulted in an additional \$900 million for the fund.

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## Diversification of Plan Net Assets



The foundation of the system's strength and stability rests upon the diversification of plan assets. MOSERS never knows what the future will hold from the investment markets. As a result, the portfolio is structured to control risk under a variety of economic outcomes. Through the diversification of system assets, MOSERS is better able to minimize the overall risk of the portfolio while striving to reach its return objectives. As you will note from the bar graph above, MOSERS' investment program is widely diversified among a variety of asset classes with numerous holdings in each category.

MOSERS' investment portfolio is widely diversified to control risk under a variety of economic outcomes which may play out over time.



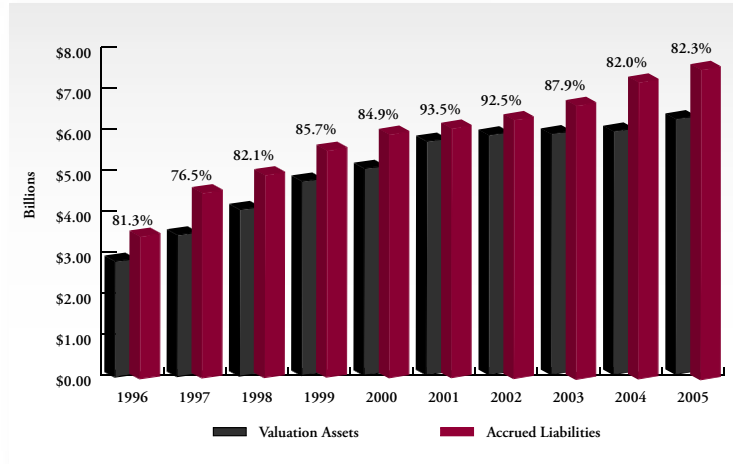
Controlling  
System Risk

MOSERS was 82.3% funded at the end of FY05. Being over 80% funded is considered good.

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# Actuarial Summary

## Funding the Retirement Plan



Your retirement benefits are funded by contributions from the state of Missouri. In order to ensure your benefits are available to you, MOSERS is constantly evaluating the plan's assets (black bar) relative to the value of the liabilities (red bar). The percentages shown in the bar chart above indicate the extent to which the plan is funded for a given year.

## Member Snap Shot

June 30, 2005 Actuarial Valuations	MSEP*	Judicial Plan
<b>Active Members</b>		
Average age	44.2	54.1
Average years of service	10.2	11.8
Average annual salary	\$32,293	\$102,082
<b>Retired Members</b>		
Average age	69.0	75.9
Average annual benefit	\$13,502	\$47,436
<b>Total Membership</b>		
Active	55,944	392
Terminated-Vested	14,718	71
Retired	25,780	397

\* Includes general employees, legislators, and statewide elected officials in both the MSEP and MSEP 2000.

## Members Retiring During the Fiscal Year Ended June 30, 2005

Years Credited Service	Average Monthly Benefit	Average Average Salary	Number of Retirees
<5	\$281	\$3,990	4
5-10	284	2,354	336
10-15	460	2,234	287
15-20	671	2,540	301
20-25	1,181	3,055	284
25-30	1,572	3,365	353
30+	1,966	3,510	131
All members	931	2,788	1,696

\* Includes general employees, legislators, and statewide elected officials in both the MSEP and MSEP 2000.



# Legislation

## Life Insurance for State Employees Called to Active Military Duty

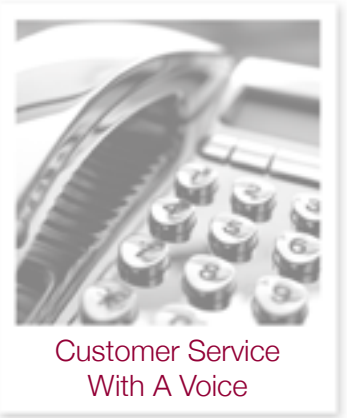
HB No. 119 allows all public employees who are entitled to life insurance benefits as a state employee or member of a state retirement system, who are or become members of the United States Armed Forces or the national guard and who are called to such military service in time of active armed warfare, to receive life insurance benefits for the entire duration of such military deployment, including time periods in excess of twelve months.

MOSERS facilitates both the basic and optional life insurance programs through a third party administrator. Under the prior insurance contract, all employees who were eligible for any type of leave had the option of continuing both basic and optional life insurance at their own expense for a period not to exceed twelve months. Under this legislation, employees who are called to active military duty are able to continue such insurance coverage for the length of their deployment, which may well extend beyond twelve months.

## Administrative Law Judges and Legal Advisors' Plan

Senate Bill No. 202 et al requires any administrative law judge or legal advisor (which by statutory definition includes the Chairman of the Board of Mediation, a Labor and Industrial Relations Commissioner, an attorney employed by the Division of Labor Standards, an administrative hearing commissioner and the Division Director of Workers' Compensation) who is employed on or after April 26, 2005 (who has not been previously covered by a retirement system under Chapter 287, RSMo), to participate in the Missouri State Employees' Plan (MSEP) which is covered under Chapter 104, RSMo. This legislation does not impact anyone serving in (or who had served in) a position covered by the ALJLAP prior to the effective date of the legislation, and requires all liabilities and assets of the ALJLAP to be transferred and combined with the MSEP.

This *Summary Annual Financial Report* is derived from the information contained in *MOSERS' Comprehensive Annual Financial Report* (CAFR) but does not include all funds administered by MOSERS nor certain other information required to be in conformity with Generally Accepted Accounting Principles (GAAP). MOSERS' CAFR is produced in conformity with GAAP. Contact MOSERS to request a copy of the CAFR, or explore it on our web site at [www.mosers.org](http://www.mosers.org).



MOSERS provided individualized service to nearly 92,000 members during FY05 (answering your phone calls, emails, serving members who visit in person, and educating seminar enrollees).

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## Outstanding Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) presented an Award for Outstanding Achievement in Popular Annual Financial Reporting to MOSERS for its summary annual report for the fiscal year ended June 30, 2004.

This prestigious national award recognizes popular reports for creativity, presentation, understandability, and reader appeal and is valid for a period of one year. We believe the current summary annual report continues to meet these program standards and we are submitting it to GFOA for evaluation.

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### Contact Information

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**Missouri Relay**  
(800) 735-2466 (Voice) or (800) 735-2966 (TDD)


**Website**  
[www.mosers.org](http://www.mosers.org)

**E-mail**  
[mosers@mosers.org](mailto:mosers@mosers.org)

**Business Hours**  
8:00 a.m. - 5:00 p.m., Monday - Friday

Alternative formats available upon request.  
To request an alternative format, please contact MOSERS  
at (573) 632-6100 or (800) 827-1063.

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